

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 07038 01 OF 02 020619Z
ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 PA-01 /092 W
-----127633 020623Z /21

R 020556Z MAY 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 5108
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 01 OF 02 MANILA 07038

E.O. 11652: N/A
TAGS: EINV, ETRD, ASEAN, E
SUBJECT: FOREIGN INVESTMENT IN ASEAN

REF: SINGAPORE 1708 (NOTAL)

1. SUMMARY. ASEAN GUIDELINES ON INDUSTRIAL COMPLEMENTATION LIMIT PARTICIPATION TO ASEAN MAJORITY OWNED AND CONTROLLED CORPORATIONS. GOP SEEKS DEFINITION POSITED ON 51 PER CENT ASEAN OWNERSHIP, WHICH IS MORE LIBERAL THAN ITS OWN RULE ON 60 PER CENT FILIPINO OWNERSHIP. ASEAN SPOKESMEN CONTINUE TO STRESS THAT EXISTING FOREIGN INVESTORS ARE WELCOME TO JOIN INDUSTRY CLUBS AND THUS PARTICIPATE IN PREFERENTIAL TRADING ARRANGEMENTS. EVOLVING ASEAN POLICY APPEARS CONSONANT WITH OUR CURRENT POSTURE THAT, WHILE NOT INSISTING ON NATIONAL TREATMENT ON ENTRY, WE DO INSIST ON NON-DISCRIMINATORY TREATMENT ONCE AN INVESTMENT IS MADE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 07038 01 OF 02 020619Z

END SUMMARY.

2. WE APPRECIATE EMBASSY SINGAPORE SENDING US A COPY OF RICARDO GUEVARA'S PAPER ON ROLE OF FOREIGN INVESTORS IN ASEAN, WITH PARTICULAR REFERENCE TO FOREIGN EQUITY PARTICIPATION IN FUTURE INDUSTRIAL COMPLEMENTATION SCHEMES. SUCH SCHEMES, AS SINGAPORE POINTS OUT IN REFTTEL, OWE MUCH

OF THEIR ORIGIN TO THE GOP AND SECRETARY PATERNO IN PARTICULAR, WHO REFLECT THE TRADITIONAL PHILIPPINE PRIVATE SECTOR DESIRE FOR MONOPOLY AND MARKET SHARING. THIS IS KNOWN AS "STACKING THE CARDS" OR "EQUALIZING CONDITIONS OF OPPORTUNITY" IN FAVOR OF THE NATIVE-BORN FILIPINOS AGAINST THE CHINESE (WHO ARE NOW "FILIPINOS") AND THE NEW "ALIENS" -- THE AMERICANS AND THE MULTINATIONALS. GOP PROPOSES THAT ONLY CORPORATIONS OWNED 51 PER CENT BY ASEAN NATIONALS BE CONSIDERED ASEAN CORPORATIONS ELIGIBLE FOR PARTICIPATION IN THE INDUSTRIAL COMPLEMENTATION PROGRAM.

3. GOP POSITION REFLECTS ITS CURRENT SELECTIVE WELCOME TO FOREIGN INVESTMENT. FOREIGN INVESTMENT IS ACTIVELY ENCOURAGED IN "PIONEER" AREAS, AND ON A 40 PER CENT MINORITY BASIS IN "PREFERRED" AREAS. INVESTMENTS IN "PIONEER" AREAS MAY BE 100 PER CENT FOREIGN OWNED, BUT MUST BE FILIPINIZED WITHIN 30 YEARS. IT IS DISCOURAGED IN NON-PRIORITY AREAS AND DISALLOWED IN "OVERCROWDED" AREAS. WE BELIEVE THE GOP ATTITUDE TO FOREIGN INVESTMENT IS SHARED TO A LARGE DEGREE IN OTHER ASEAN COUNTRIES EXCEPT FOR SINGAPORE.

4. MOST AMERICAN COMPANIES ARE AWARE THAT CONTEMPORARY ECONOMIC NATIONALISM DICTATES THAT JOINT VENTURES BE THE RULE. IF A U.S. FIRM IS NOT COMFORTABLE BEING IN BED WITH A FOREIGN PARTNER, IT WILL LIKELY FOREGO THE INVEST-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 07038 01 OF 02 020619Z

MENT UNLESS IT IS DEEPLY COMMITTED TO AN INVESTMENT BECAUSE OF MARKET ACCESS, LABOR ADVANTAGE OR SOME OTHER VITAL REASON. IN THE LATTER CASE, THE COMPANY WILL FIND MEANS TO RETAIN ABSOLUTE CONTROL, SAY A SERVICE CONTRACT OR A SILENT PARTNER, OR IF IT HOLDS STRONG CARDS SUCH AS ELECTRONIC COMPONENT MAKERS DO, IT WILL HAVE ITS WAY OR TAKE ITS INVESTMENT ELSEWHERE.

5. IN OTHER WORDS, U.S. BUSINESS WILL INVEST IF IT WANTS TO FOR ITS OWN REASONS, AND ONLY THE HOST GOVERNMENT CAN CREATE THE CONDITIONS WHICH INDUCE OR HINDER FOREIGN INVESTMENT. THE QUESTION IS WHETHER ACTIVE PROMOTION BY USG IS IN OUR INTEREST. THE RECENT U.S. POLICY STATEMENT SUGGESTS IT IS NOT. WE SHOULD THEREFORE STOP SAYING "FOREIGN INVESTMENT IS GOOD FOR YOU, TAKE MORE." WE SHOULD SAY INSTEAD -- "IF YOU THINK FOREIGN INVESTMENT IS DESIRABLE FOR YOU, ENCOURAGE IT; IF NOT, DON'T. WE WILL NOT ENCOURAGE OR DISCOURAGE IT, BUT WE DO CARE ABOUT FAIR AND EQUITABLE TREATMENT FOR WHATEVER FOREIGN INVESTMENT YOU DO CHOOSE TO ACCEPT." WE ARE INDEBTED FOR ABOVE QUOTE TO MALCOLM CHURCHILL IN HIS ARTICLE ON U.S. FOREIGN INVESTMENTS IN AUGUST 1977 ISSUE OF OPEN FORUM.

6. ABOVE REFLECTS OUR UNDERSTANDING OF CURRENT U.S. POLIC ON FOREIGN INVESTMENT. THAT IS, WE HAVE GIVEN UP IN LARGE MEASURE OUR INSISTENCE ON NATIONAL TREATMENT ON ENTRY, BUT WE CONTINUE TO INSIST THAT ONCE AN INVESTMENT IS MADE, RULES GOVERNING IT SHOULD NOT BE CHANGED EXCEPT ON A NON-DISCRIMINATORY BASIS. ACCORDINGLY, MUCH MORE IMPORTANT IN THE GUEVARA PAPER IS THE WELCOME WHICH HE EXTENDS TO EXISTING FOREIGN INVESTORS TO JOIN THE INDUSTRY CLUBS AND THUS PARTICIPATE IN THE PREFERENTIAL TRADING ARRANGEMENTS. THIS INVITATION, OF COURSE, SERVES GOP SELF-INTEREST IN UTILIZING U.S. MULTINATIONALS IN THE PHIL-

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 07038 02 OF 02 020616Z
ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 PA-01 /092 W
-----127619 020623Z /21

R 020556Z MAY 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 5109
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 02 OF 02 MANILA 07038

IPPINES TO EXPORT TO THE OTHER ASEAN COUNTRIES. NEITHER THE GOP NOR PHILIPPINE BUSINESSMEN HAVE EVER ALLOWED PRINCIPLE TO STAND IN THE WAY OF MAKING MONEY, EITHER WITH THE CHINESE OR WITH OTHER ALIENS.

7. INDEED, COMPLEMENTATION WAS ORIGINALLY A FORD MOTOR CORPORATION IDEA, AND THE PRIVATE SECTOR HAS BEEN PROCEEDING ON ITS OWN IN VARIOUS WAYS. FOR EXAMPLE, THE FIVE ASEAN ASSEMBLERS OF MITSUBISHI CARS ARE GETTING TOGETHER TO PROMOTE THEIR COOPERATION. THEY ARE ALREADY GETTING THEIR TRANSMISSIONS FROM ASIAN TRANSMISSION, A

MITSUBISHI JOINT VENTURE IN THE PHILIPPINES. AND ALL
FIVE ASSEMBLERS HAVE ASEAN MAJORITY OWNERSHIP. THE
PHILIPPINE ASSEMBLER IS CHRYSLER PHILIPPINES -- 60 PER
CENT YULO FAMILY, 35 PER CENT MITSUBISHI, AND 5 PER CENT
CHRYSLER. STULL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANILA07038
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780186-0450
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197805102/aaaadjlq.tel
Line Count: 174
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e339d593-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 SINGAPORE 1708
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2519933
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT IN ASEAN
TAGS: EINV, ETRD, XC, ASEAN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e339d593-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014